

PUBLIC DISCLOSURE

January 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Vintage Bank
12-06-0879-0000**

**1500 Soscol Avenue
Napa, California 94558**

**FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94105**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Vintage Bank** prepared by the **Federal Reserve Bank of San Francisco**, the institution's supervisory agency, as of January 21, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING:

The high percentage (93%) of loans extended inside the bank's assessment area resulted in the bank exceeding standards for a satisfactory evaluation in the distribution of loans inside and outside the assessment area criteria. The bank met the standards for a satisfactory performance for the remaining four criteria. Its quarterly average loan-to-deposit ratio compared reasonably among its peers; its lending to borrowers of different incomes and businesses of different sizes compared favorably to local demographics; its geographic distribution of loans was adequate.

OUTSIDE CRA CONTACTS

Information obtained from an executive at a small business development center during the examination stated that local welfare recipients will soon be moving from welfare to work, as mandated by the recent welfare reforms. Given the few jobs available for such individuals, entrepreneurship becomes an option, which necessitates microloans.

The following table indicates the performance level of The Vintage Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE VINTAGE BANK's PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received by the bank since the previous examination.		

DESCRIPTION OF INSTITUTION:

The Vintage Bank, headquartered in Napa, California, is a wholly-owned corporation organized as a state bank in 1984. It engages in commercial banking from its main office located at 1500 Soscol Avenue. The bank has one other branch in Napa situated at 3271 Browns Valley Road.

The Vintage Bank offers a full range of loan products, including commercial, real estate, consumer installment, agricultural, and revolving credit plans. It has recently developed a Personal Banker Program, which assists customers who are not able to come to the bank to conduct their banking business. This service is available to existing as well as potential customers. Courier service is also accessible to all business customers. The bank promotes its deposit services by providing a remote automatic teller machine (ATM), located at 629 Factory Stores Drive in Napa, and a 24-hour telephone banking service (TelleBanker) for its customers. To further expand its services, The Vintage Bank reintroduced "AutoBanking" in August 1996. This feature, previously a two-lane drive-up banking facility, was expanded to five lanes due to heavy traffic. The facility provides express transactions, including non-customer check cashing services. The AutoBanking hours are Monday through Friday 8:00 a.m. to 6:00 p.m. and Saturday 9:00 a.m. to 1:00 p.m.

The bank's total assets as reflected in the Consolidated Report of Condition and Income (CALL Report) dated September 1996, is \$122 million. The bank's loan portfolio indicated the following distribution:

Commercial	(50%)
Residential 1-4 Family Units	(38%)
Construction & Land Development	(8%)
Consumer	(4%)

Historically, the bank has been a commercial lender; however, it is presently changing its business strategy to focus more towards consumer lending while continuing to provide commercial loans.

This examination is Vintage Bank's first evaluation under the revised CRA rules, which became effective January 1, 1996. The previous CRA rating was satisfactory. For the period under review, there were no legal impediments confronting the bank. As of the examination date, the bank had not filed an application to merge or acquire another financial institution. However, in February 1997 the bank will open a new full-service branch in Napa, located at 3626 Bel-Aire Plaza.

DESCRIPTION OF ASSESSMENT AREA:

The Vintage Bank's assessment area consists of 16 census tracts in southern Napa County. Napa County is 52 miles northeast of San Francisco and 47 miles north of Oakland. The boundaries do not arbitrarily exclude low- and moderate-income neighborhoods. The following chart characterizes the 16 census tracts comprising the bank's assessment area:

Distribution of Population, Median Family Income, and Housing Value					
	Low	Moderate	Middle	Upper	AA* Total
Census Tract	1	1	9	5	16
Population	96	8,153	60,566	28,174	96,989
Families	8	1,901	15,576	7,736	25,221
Median Family Income	\$5,360	\$29,104	\$41,018	\$53,922	Median Income in AA \$43,387
Median Housing Value	\$162,500	\$146,800	\$169,509	\$228,048	\$181,632 Median for AA
Housing Affordability Ratio ¹	5%	17%	21%	22%	21% for AA

* = Assessment Area

The median family income for the bank's assessment area (\$43,387) is slightly higher than that of the metropolitan statistical area (\$42,468). This fact is primarily due to the composition of the bank's assessment area, which is predominantly middle- and upper-income census tracts, with only two low- or moderate-income tracts.

¹ The housing affordability ratio was calculated by dividing median household income by median housing value.

Based on information provided by the Chamber of Commerce, the population of Napa County was 144,800 in January 1992, which is 3.6% above the 1990 census count. This rate of growth was somewhat slower than that of the State during the same period (4.1%). The slow rate reflects Napa County's commitment to limited, controlled growth. More than half of the population growth occurred in the City of Napa, which increased its population by 2,558 since the 1990 census.

Major employers of the county are as follows:

Manufacturing Employment		
Industry	Employees	Product
Wineries	3,100	Wine, Brandy, Champagne
Agriculture	3,095	Grape Production
Non-Manufacturing Employment		
Napa Valley Unified School District	2,300	Education
Napa State Hospital	2,100	Psychiatric Hospital
Queen of the Valley Hospital	1,200	Community Hospital
Pacific Union College	1,028	Four Year College
Veterans Home of California	1,000	Hospital/Home

As part of the evaluation of the assessment area, examiners interviewed one individual from a small business development center in Napa to gain further insight and information about the credit needs of the region. That executive stated that in the near future, individuals will be moving from welfare to work, as mandated by the recent reforms in the welfare system. Because few jobs are available for these individuals, entrepreneurship becomes an option, which will necessitate microloans.

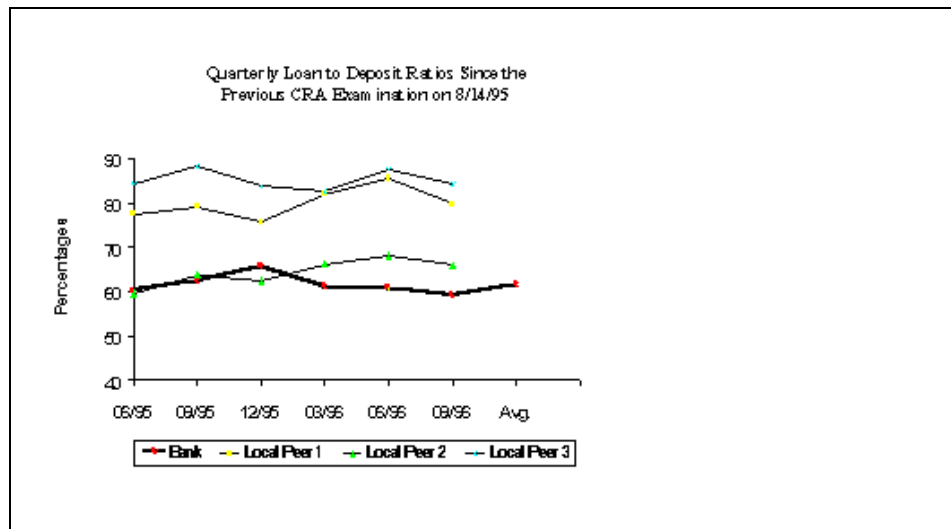
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

To understand the bank's economic and lending environment, examiners reviewed the local economy, credit demands, and demographics of the area. Using this information, along with the data provided by the community contact, examiners assessed the performance of the bank's lending activity and its effectiveness in serving the needs of its community.

The bank provided examiners with information regarding 180 loans originated since the previous examination (August 14, 1995). Of these loans, a total of 167 (18 small business, 79 motor vehicle, 46 home equity, and 24 other consumer loans) were made inside the bank's assessment area. These 167 loans were further analyzed to ascertain the bank's record of lending by business revenue or borrower income and the geographic distribution of its lending.

LOAN TO DEPOSIT RATIO:

For this analysis, the bank's net loans were measured against its total deposits and analyzed within the bank's performance context. Since the previous examination, the bank's loan-to-deposit ratio has averaged 62%. The Vintage Bank's and its peers' loan-to-deposit ratio for the past six quarters is shown below:



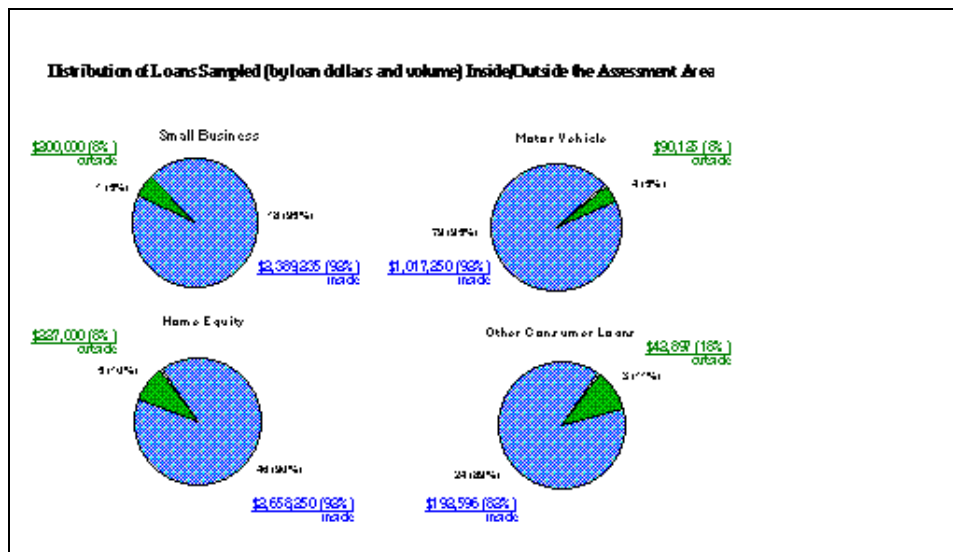
As illustrated above, the bank's loan-to-deposit ratio is relatively constant, with a slight decrease during third quarter 1996. Because of the numerous bank mergers taking place within the area, many residents have chosen to do their banking business with a local bank. Consequently, the bank experienced a large influx of deposits, amounting to \$4.3 million.

The chart compares the bank's loan-to-deposit ratio to three local peers. The peers were selected based on asset size, number of branches, and geographic location. Based upon the comparison, the three peer banks showed a range from 64% to 85%. At 62%, The Vintage Bank is slightly below its peers, the state's average of 67%, and the national average of 65%.

Although the bank's loan-to-deposit ratio is lower than its peers, the state and national averages, the bank is lending in a manner consistent with its size and resources; therefore, its lending is satisfactory.

LENDING IN ASSESSMENT AREA:

This criterion is evaluated based on the bank's small business and consumer purpose loans extended since the previous examination. Consumer purpose loans consisted of motor vehicle, home equity and other consumer loans. Based on the statistical analysis of 19 small business loans and 161 consumer purpose loans, approximately 93% were extended within the bank's assessment area. In terms of dollar amount, similar trends were noted. The following chart details the individual loan products:



Because a substantial number of the loans were extended inside the assessment area, this distribution exceeded the standards for a satisfactory evaluation.

LENDING BY BUSINESS REVENUE AND BY BORROWER INCOME

For this criteria, the bank's 18 small business and 149 consumer purpose loans extended inside the assessment area were analyzed by comparing the distribution of loans to businesses of different revenue sizes and borrowers of different income levels. Information furnished by the bank, the census data, and the materials provided by an outside contact were used to assist examiners in identifying the demographics of the area and ascertaining the credit needs of the community.

Small Business

The Vintage Bank evaluates a commercial applicant's creditworthiness based on business revenue. Analysis of the small business loans extended inside the bank's assessment area revealed that the business revenue for all 18 loans were \$1 million or less. Further analysis to ascertain the breakdown of these loans revealed the following:

Distribution of Business Loans Across Assessment Area				
Business Revenues ≤1,000,000	Ln Amt <=100,000	100,000 < Ln Amt ≤ 250,000	250,000 < Ln Amt ≤ 1,000,000	Total
# of Loans	9	7	2	18
% of Loans	50%	39%	11%	100%
Total Amt. of Loans	\$372,535	\$1,206,700	\$810,000	\$2,389,235
% of Total Loans	16%	51%	33%	100%

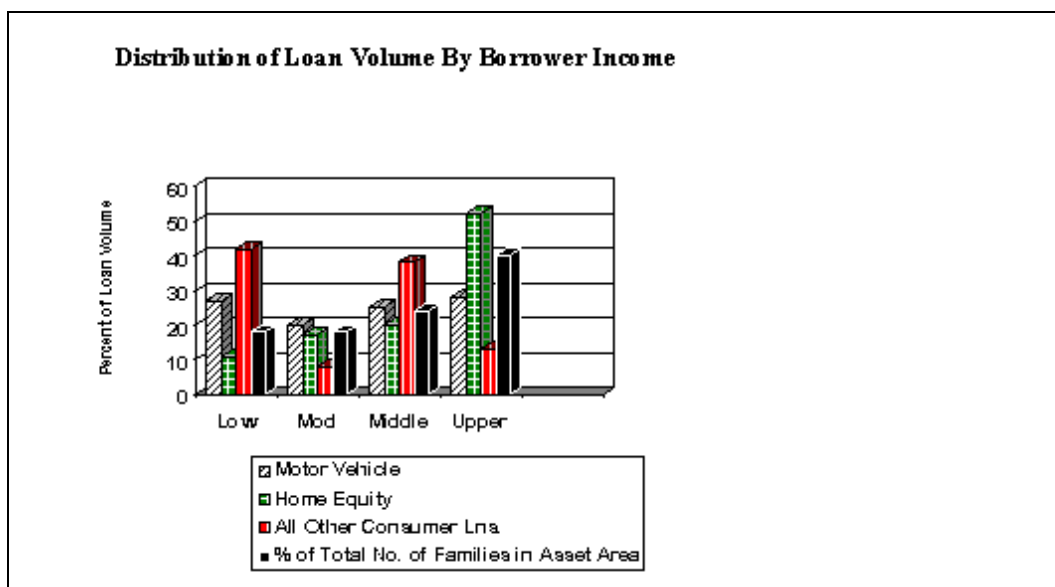
In addition to all 18 loans having revenues of less than \$1 million, the chart above further illustrates the bank's responsiveness in accommodating the demand for small loan amounts, which are typically needed by small businesses; 50% of the bank's commercial loans were for loan requests of \$100,000 or less. Although there was no information available to assist the examiners in specifically identifying the total number of small businesses located inside the bank's assessment area, the substantial percentage of loan requests of less than \$100,000 indicates the bank's willingness and effort to extend small dollar loans which are an identified credit need.

Consumer Purpose Loans

As stated earlier, the examiners review of consumer purpose loans included motor vehicles, home equity, and other consumer loans. A sample of 149 consumer purpose loans extended inside the bank's assessment area was evaluated in terms of lending to low-, moderate-, middle-, and upper-income borrowers. The lending distribution of these consumer loans reflects an adequate penetration among the four income levels.

Distribution of Consumer Loans Across Assessment Area						
Borrower Income	Tot. # of Loans	% of Tot. Loans	Tot. Amt. of Loans	% of Tot. Loans	Tot. # of Families in AA	% of Tot. Families
Low	36	24%	\$344,868	9%	4,492	18%
Moderate	26	17%	\$394,338	11%	4,474	18%
Middle	38	26%	\$769,680	20%	6,154	24%
Upper	49	33%	\$2,308,810	60%	10,101	40%
Total	149	100%	\$3,817,696	100%	25,221	100%

The examiners also compared the four income borrower types to consumer products. The graph below explains the information:



The chart illustrates that the bank's percentage of total consumer loans for low- and moderate-income individuals based on volume (62 / 41%) and dollar amount (\$739,206 / 20%) compare favorably to the percentage of families earning less than 80% of the median income. In the assessment area, these figures demonstrate the bank's responsiveness in extending consumer credit to low- and moderate-income individuals.

Historically, the bank has traditionally been a commercial lender. However, it is changing its business strategy to focus more towards consumer lending, while continuing to provide commercial loans. Therefore, the overall performance for this criteria was heavily based on the results of the bank's consumer rather than commercial lending distribution because consumer purpose loans (149) comprised a majority of the sample size reviewed. Consequently, considering the penetration among individuals of different income levels and borrowers with different revenue sizes, this criteria is deemed reasonable.

GEOGRAPHIC DISTRIBUTION OF LOANS:

The examiners also evaluated the geographic distribution of the bank's four major loan products. As previously stated, the bank has extended 18 small business and 149 consumer loans inside the bank's assessment area. Further analysis was performed to ascertain where the loans were being made and what percentage and dollar amount of the loans were in geographies of different income levels. Presently, there are 16 contiguous whole census tracts inside Vintage Bank's assessment area. These tracts are as follows:

Distribution of Population by Census Tracts				
Income Level of Census Tract	Number of Census Tracts	Percentage of Total	Number of Families	Percentage of Families
Low	1	6%	8	.04%
Moderate	1	6%	1,901	8%
Middle	9	56%	15,576	61%
Upper	5	32%	7,736	31%

Total	16	100%	25,221	100%
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For small business and consumer purpose loans, the lending activity within each census tract is portrayed as follows:

Distribution of Small Business Lending Activity				
Income Level of Census Tract	Number of Loans	Percentage of Total	Dollar Amount	Percentage of Dollar Amount
Low	0	0%	0	0%
Moderate	0	0%	0	0%
Middle	13	68%	\$1,980,635	80%
Upper	6	32%	\$508,600	20%
Total	19	100%	\$2,489,235	100%

Distribution of Consumer Lending Activity					
Motor Vehicle	Income of Census Tract				
	Low	Moderate	Middle	Upper	Total
Number of Loans	0	8	42	29	79
	0%*	10%	53%	37%	100%
Dollar Amt. of Loans	0	\$113,571	\$387,348	\$516,331	\$1,017,250
	0%	11%	38%	51%	100%
Home Equity					
Number of Loans	0	2	21	23	46
	0%	4%	46%	50%	100%
Dollar Amt. of Loans	0	\$97,000	\$1,229,250	\$1,282,000	\$2,608,250
	0%	4%	47%	49%	100%
All Other Consumer Loans					

Number of Loans	0	1	15	8	24
	0%	4%	63%	33%	100%
Dollar Amt. of Loans	0	\$2,100	\$110,584	\$79,512	\$192,196
	0%	1%	58%	41%	100%

* = Percentage of Total

Small Business

The bank did not extend any loans to business borrowers residing in the low- and moderate-income neighborhoods. However, this is acceptable given the lack of lending opportunity and the community's prevailing no-growth philosophy, as mentioned by the community contact. The bank's business lending opportunity is further restrained because there are very few businesses in the low-income census tract, which is comprised mainly of the county jail, police department, public library, and courthouse. Although the no-growth philosophy has hampered The Vintage Bank's ability to provide commercial loans, it has not prevented them from pursuing alternate lending avenues. For example, the bank had considered participating in a housing development plan; however, the idea was voted down by the community. Additionally, further discussions with the community contact revealed that developers have tried to promote a development plan to the city, but it was similarly rejected. The majority of businesses are located in the one moderate-income tract and efforts have been made to draw consumers to this area (i.e, a wine festival), but to no avail.

Hence, the lack of small business loans in the low- and moderate-income areas is understandable.

Consumer Purpose Loans

Based on the 1990 US Census Data, a population of 96 individuals consisting of only eight families reside in the low-income area who earn a median family income of \$5,360. Home ownership in the area is slightly below 19%, equating to a renter occupancy rate of 80%. While there is a potential consumer loan demand, the marginal median family income for the area and the median housing value for the area of \$162,500 hinders an individual's chance to afford a residence. The housing affordability ratio is 5%. Factoring the 55% poverty level and the 26% unemployment rate, caused by reorganizations of hospitals and manufacturing firms, the lack of penetration in the low-income area is satisfactory.

COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS:

The Vintage Bank is in compliance with the substantive provisions of anti-discrimination

laws and regulations such as the Fair Housing Act and the Equal Credit Opportunity Act. While there were some violations of the Equal Credit Opportunity Act, they did not have a discriminatory effect on any applicant. Moreover, based on interviews conducted with lending staff and a review of the bank's loan distribution and credit evaluation practices, there was no evidence that prospective applicants are discouraged from seeking the types of loans offered by the bank. Training of regulatory requirements is provided to the staff, and the bank has affirmatively adopted a fair lending policy and implemented review procedures for all loan requests to ensure that all applicants are treated equally.